

STATEMENT OF  
THE HONORABLE HENRY ROWEN  
CHAIRMAN  
NATIONAL INTELLIGENCE COUNCIL  
CENTRAL INTELLIGENCE AGENCY

BEFORE THE JOINT ECONOMIC COMMITTEE  
SUBCOMMITTEE ON INTERNATIONAL TRADE,  
FINANCE, AND SECURITY ECONOMICS

"CENTRAL INTELLIGENCE AGENCY BRIEFING  
ON THE SOVIET ECONOMY"

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PREFACE

BY

SENATOR WILLIAM PROXMIRE

VICE CHAIRMAN

SUBCOMMITTEE ON INTERNATIONAL TRADE,  
FINANCE, AND SECURITY ECONOMICS

The following report of the Central Intelligence Agency responds to my request for a balanced assessment of the Soviet economy showing both its capabilities and vulnerabilities. The result is a unique contribution to our understanding of Soviet economics. Its uniqueness lies in the fact that it analyzes the strengths as well as the weaknesses in the Soviet economy.

It is worth highlighting the principal findings in the study:

- \* Soviet economic growth has been steadily slowing down. However, there will be continued positive growth for the foreseeable future.
- \* Economic performance has been poor and there have been many departures from standards of economic efficiency. But this does not mean the Soviet economy is losing its viability or its dynamism.
- \* While there has been a gap between Soviet performance and plans, an economic collapse in the USSR is not considered even a remote possibility.

Analysts in the West have typically focused on Soviet economic problems. The attention to the negative aspects of the Soviet

economic system and to the failures of performance is appropriate and necessary. The danger in such an approach is that, by overlooking the positive side, we see an incomplete picture which leads us to form incorrect conclusions.

The Soviet Union is our principal potential adversary. All the more reason to have accurate, balanced assessments of the state of its economy. One of the worst things we can do is to underestimate the economic strength of our principal adversary.

It needs to be understood that, while the Soviet Union has been weakened by such harmful developments as the inefficient performance of the farm sector and the heavy burden of defense, it is the world's second largest economy in terms of GNP, has a large and well trained labor force, is highly industrialized, and possesses enormous reserves of natural resources, including oil and gas and the relatively scarce minerals and precious metals. It is sobering to reflect on the possibility that Soviet economic trends might improve rather than grow worse.

This report should go far to clear up the confusion that exists in Congress and the public as to where the Soviet economy stands. It should also make it obvious that there is at least the same degree of uncertainty in making forecasts about future economic performance in the Soviet Union as there is with respect to our own economy.